

MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THEIR OFFICE AT 677 QUEEN STREET
ON THURSDAY, AUGUST 18, 2005,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Thursday, August 18, 2005 at 9:05 a.m.

The meeting was called to order by Vice Chairman Charles King and, on roll call, those present and absent were as follows:

CALL TO
ORDER/
ROLL CALL

PRESENT: Director Francis L. Jung
Director Charles King
Designee Rick Manayan
Director Linda Smith
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Designee Henry Oliva
Director Charles Sted

Staff Present: Sandra Ching, Deputy Attorney General
Pamela Dodson, Executive Assistant
Janice Takahashi, Chief Planner
Mavis Masaki, Planner
Marilyn Labayog, Property Management Branch Chief
Mike Hee, Contract Administrator
Dexter Ching, Public Housing Supervisor
Barbara Arashiro, Resident Services Section Administrator
Rick Sogawa, Program Specialist & Tenant Services
Michelle Kim, Program Specialist & Tenant Services
Patti Miyamoto, Acting Administrative Services Officer
Darren Ueki, Finance Manager
Dean Sakata, Finance Specialist
Marilyn Chock, Mortgage & Rental Financing Section Chief
Marcia Kamiya, Sales Coordinator
Tom Otake, Acting Housing Development Section Chief
Stan Fujimoto, Housing Development Specialist
Chris Sadayasu, Housing Development Specialist
Leonell Domingo, Housing Development Specialist
Edmund Morimoto, Construction Management Section Chief
Gary Umeda, Housing Inspector
Sherry Noguchi, Chief Accountant
Shirley Higa, Board Secretary

Others: Sen. Clayton Hee
Rep. Colleen Meyer
Clarissa Hosino, Kalanihuia Resident Association
Ding Hu, Kalanihuia Resident Association
Priscilla Deocampo, Kalanihuia Resident Association
Ziao Ping Zhen, Kalanihuia Resident Association
Louis Hosino, Kalanihuia Resident Association
David Chinen, President, Waiahole Waikane Community Assn.
(WWCA)
Lowry Parr, WWCA
Violet Roberts, WWCA

Others (Cont'd) Brad Chong, Attorney for WWCA
Todd Eddins, Attorney for WWCA
Valorie R. Labrador, Labrador Farm
Chula Clark, WWCA
Pat Dumadag, WWCA
Roxanne Dumadag
John Meria, WWCA
Madonna Meria, WWCA
Robert Cappella, WWCA
Frank Shiroma, WWCA
Norma Sadoyama, WWCA
Pat Pilanca, WWCA
Diedra Boydon, WWCA
Hannah Salas, WWCA
Sally Bohol, WWCA
Kathy Cole, Waiahole
Maxine Prudencio, Waiahole
Al Prudencio, Waiahole
Richard Garcia, Waiahole
Lydia Garcia, Waiahole
Regal Fernandez, WWCA
Bernie Lam Ho, WWCA
Grannette Pulliams, WWCA
Felix Payban, WWCA
Dale Tamashiro, WWCA
Susan Tamashiro, WWCA
Doug Taira, WWCA
Rose Batalona, WWCA
Guy Nakamoto, WWCA
Harriet Nakamoto, WWCA
Patrick Kataoka, Olili Ekahi
Michael Condry, MICON
Sarah VanDeVanter, ERA
Karen Arakawa, Iwilei Senior Residence
Jamie Gentry, Villages of Kapolei
Kevin Matsumoto, KITV News
Ray Adair, Nan McKay and Associates

The Vice Chairman declared a quorum present. QUORUM

Director Thompson moved, seconded by Designee Manayan APPROVAL
OF
That the minutes of the Regular Board of Directors MINUTES -
Meeting held on July 21, 2005 be approved as circulated. 7/21/2005

The motion was unanimously carried.

Staff's recommendation was presented as follows: RECOGNI-
TION OF
That the HCDCH Board of Directors recognize the KALANIHUIA
Kalaniihuia Resident Association as a duly elected resident RESIDENT
association pursuant to volume 24 CFR part 964. ASSOCIA-
TION

Executive Director Stephanie Aveiro introduced Michelle Kim, Program
Specialist and Gail Lee, Manager of Kalaniihuia Elderly Project.

Ms. Kim reported that the Kalanihuia Resident Association has been working since November 2004 to comply with the federal requirements for formal recognition by the HCDCH Board of Directors. The officers are excellent role models who have expressed their interest in having cultural events as well as provisions to making the project a safe and secure environment for its residents. Ms. Kim introduced the officers as follows:

- President Clarissa Hosino;
- Vice President Ding Hu;
- Secretary Priscilla Deocampo;
- Ziao Ping Zhen, Treasurer; and
- Louis Hosino, Sgt. at Arms.

Designee Manayan moved, seconded by Director Thompson

That staff's recommendation be approved.

The motion was unanimously carried.

(Vice Chairman King called for a recess at 9:10 a.m.; meeting reconvened at 9:15 a.m.)

RECESS

Staff's recommendation was presented as follows:

The HCDCH Board of Directors:

- A. Rescind the Waiahole Valley Agricultural Park and Residential Lots Subdivision portion of the Transfer Agreement to the Department of Hawaiian Home Lands; and
- B. Authorize the HCDCH Executive Director to re-negotiate and execute an amendment to the Transfer Agreement deleting the Waiahole transfer portion and establishing new monetary or property terms.

RESCISSION
OF THE
WAIAHOLE
VALLEY
AGRI-
CULTURAL
PARK
AND RESI-
DENTIAL
LOTS
SUBDI-
VISION
PORTION
OF THE
TRANSFER
AGREEMENT
TO THE
DEPART-
MENT OF
HAWAIIAN
HOME
LANDS

Designee Manayan moved, seconded by Director Jung

That staff's recommendation be approved.

Housing Development Specialist Chris Sadayasu reported that at the June 16, 2005 Regular HCDCH Board of Directors meeting, staff presented a For Information regarding the 2005 Senate Concurrent Resolution No. 178 (SCR 178) Requesting the Rescission of the Agreement to Transfer the Waiahole Valley Agricultural Park and Residential Lots Subdivision to the Department of Hawaiian Home Lands. Public testimony supporting SCR 178 was received at that time as well as comments from staff. The Board had agreed to act on the request at a subsequent meeting.

Mr. Sadayasu further reported that HCDCH has transferred the title and development rights of all of the lands agreed upon in the Transfer Agreement except Waiahole Valley. Staff is requesting that the Board rescind the Waiahole portion of the Transfer Agreement and authorize the Executive Director to re-negotiate and execute an amendment deleting Waiahole in this Agreement.

David Chinen, President of Waiahole Waikane Community Association (WWCA) then addressed the Board stating that the following individuals would like to address the Board after him:

- Bernie Lam Ho, Steering Committee Member, and member of WWCA since 1974;
- Richard Garcia, farmer;
- Bobby Fernandez, WWCA President, 1974-1977; and
- Hannah Salas, 2nd Vice President, WCCA, Steering Committee Member since 1974.

Mr. Chinen provided a historical review of Waiahole Valley and its struggle to preserve the valley:

- After Waiahole Waikane Valley was purchased by the State in 1977, Resolution No. 1783 was passed by the Legislature. This resolution set priorities for leasing the lots in Waiahole Waikane Valley. Residents who were displaced had first priority and then the general public were given an opportunity of any remaining lots through a lottery system. The general public was included due to the use of the Dwelling Unit Revolving Fund (DURF) for the purchase of Waiahole Valley.
- April 30, 1986, the Honolulu City Council approved the Waiahole Valley Agricultural Park subdivision. HCDCH fka Housing Finance & Development Corporation (HFDC) advertised applications for the vacant lots. Carleton Ching, Project Coordinator for HFDC informed them that more than 200 applications were received and on file. Residents would like to know why there has been no action taken since that time to purchase the lots.

Mr. Chinen urged the Board to support staff's recommendation to rescind the transfer adding that by mutual cooperation, the problems of the Valley can be solved noting the issue of the water system. He therefore recommended a joint committee to address all the concerns of the valley which may include lobbying the Legislature for Capital Improvement Project (CIP) funds.

Mr. Chinen also referred to a February 2005 article written by former Governor George Ariyoshi in the Hawaii Business Magazine entitled, "A Long, Straight Course which described the events leading to the purchase of the Waiahole Waikane Valley by the State for \$6 million. The determination by the Waiahole Waikane Valley farmers and tenants convinced then Governor Ariyoshi to preserve the windward coast which eventually set the tone of the Hawaii State Plan. After reading excerpts of the article, Mr. Chinen responded to Director Smith's request on expanding on his suggestion of a joint committee meeting. Mr. Chinen stated that as the steering committee meets every Tuesday, staff may want to join them rather than communicating in writing. Face-to-face meetings would be much more effective than written communication. Mr. Chinen further stated that Sen. Clayton Hee would be an excellent person to act as a liaison with the Legislature in requesting for CIP funds for the water system.

Director Smith expressed her appreciation to Mr. Chinen for the suggestion to the Board noting that Rep. Colleen Meyer was also present at the meeting who could also be part of the proposed committee.

Mr. Bernie Lam Ho then addressed the Board explaining that he is one of the senior members of the community association. In 1974 the residents organized to prevent the area from becoming a major housing development and a golf course. In 1977 the organization was able to convince Governor Ariyoshi to purchase the Waiahole Valley for \$6 million using State funds to keep the valley preserved. Discussions have been held throughout the years regarding leases for the individual lots but nothing has resulted. Mr. Lam Ho further expressed his anger to read in the newspapers at the latter part of 2004 that Waiahole Valley was targeted to be transferred from HCDCH to the Department of Hawaiian Home Lands. HCDCH claimed that it had talked to an organization, WWVA, who claimed that it represented the community. Mr. Lam Ho clarified that WWVA represents its own interests whereas WWCA represents the entire community.

Mr. Lam Ho continued that the proposed transfer documents indicate that once the lots become vacant, they will then become available to DHHL who in turn will make them available to those of Hawaiian ancestry. However, in 1974 when the issue of the future of the land was initially being discussed, the children of the families residing in the valley are now living in the valley with their own children with no other place to go. These residents will be displaced should the transfer to DHHL take place. In conclusion, Mr. Lam Ho referred to the unanimous vote by the State Legislature in passing SCR 178 and urged the Board to rescind the transfer of the land to DHHL.

Director Smith stated that if there were more than one group representing the interests in the Waiahole Waikane Valley community, there should be some assurance that all parties are represented should a joint committee be formed as was previously suggested by Mr. Chinen.

Mr. Lam Ho stated that the 14-member steering committee for the community meets every Tuesday of the year except two weeks during the holiday season which is open to any member of HCDCH who would like to participate in the discussion.

Richard Garcia, a tenant of the valley since 1965 then addressed the Board. In support of the rescission, Mr. Garcia agreed with Mr. Chinen that the community is able to work together "to move mountains" should it be necessary. This was evidenced when the State decided to purchase the valley to preserve the community's agricultural state. Mr. Garcia cited another example of the WWCA that represents over 90% of the residents, when it saved the City money by clearing the area of hao trees with its own funds and providing the necessary manpower. Mr. Garcia noted that as WWCA represents the majority of the residents, it should be recognized as the organization that should be included in any discussions that would affect the valley as well as the few who may not belong to the organization.

Mr. Garcia also pointed out that although past communication may not have been the best, all future communication between the association and HCDCH should be kept open and cordial where information may be exchanged in the best interest of the valley and its residents. The WWCA is prepared to be actively involved in obtaining funding from the Legislature to make improvements in the valley. HCDCH can show that it supports the residents and their future by rescinding the transfer of the valley.

Director Smith expressed her appreciation of the historical background of the valley that Mr. Garcia provided. She then asked Mr. Garcia if self-managing of the valley by the residents should be explored as an option. Mr. Garcia expressed his support of this as the residents would then be able to determine their own future.

As Robert "Bobby" Fernandez was unable to attend the meeting, Regal Fernandez read his letter to the Board which requested the transfer of the valley be rescinded. In the letter it reviewed the struggle that the residents went through and how it was able to expose poor lending practices to developers eventually leading to foreclosure of properties.

Mr. Fernandez also indicated in his letter that the community feared the ownership of the lands by DHHL who would then develop the lands for their clientele. In conclusion, Mr. Fernandez urged the Board to support the residents and their request to preserve the valley as it has been for the past three decades.

Hannah Salas, Vice President of the WWCA addressed the Board and expressed her disappointment that Micah Kane of DHHL was not present. Ms. Salas described her childhood days in the valley, which they were taught to respect the natural environment as well as their neighbors. Although the families were not considered to be wealthy, the families were happy and content. Ms. Salas further described her Hawaiian ancestors who were on a long waiting list with DHHL but passed away before homeownership could take place. Families then believed that it would be best to not wait for the State's assistance and pursue homeownership on their own.

Referring back to the Hawaiian Homes Commission Act of 1920, Ms. Salas commented that it was applicable in the 1920's through the 1940's. However, the population that can meet the blood quantum requirement of DHHL has decreased substantially since then. As Mr. Kane has a vision for DHHL, the residents of Waiahole Waikane Valley have their own vision of the area to perpetuate it for their families. Self-sufficiency is one of the community's goals. Ms. Salas further noted the vast amount of land that DHHL already has in its inventory, together with federal funds, should expedite development of its existing lands for its clientele. In the proposed transfer of lands, \$29.8 million was targeted for Waiahole. Instead of Waiahole, DHHL should use the funds to immediately construct homes for the Hawaiian population.

Ms. Salas also referred to the numerous meetings that Mr. Kane attended representing DHHL regarding Waiahole Valley in which he stated that DHHL would not go where it was not wanted. As a Hawaiian and being against the transfer to DHHL does not mean that the community is against Hawaiians. Rather, she agrees that DHHL should protect the Hawaiian entitlement but not at the expense of hurting others. She urged the Board to rescind the transfer and to allow the community to accomplish its mission of preserving the valley for those who have been there for the past 30 years.

Director Smith asked staff to clarify the \$29.8 million for Waiahole as that was not her understanding in the transfer agreement. Executive Director Stephanie Aveiro stated that most of the money that was agreed upon in the transfer was for infrastructure that was already in place for the other properties that were a part of the transfer agreement.

Ms. Salas stated that in the documents that she reviewed, the \$29.8 million was specified for Waiahole Valley although acknowledging that with all the properties that were mentioned in the transfer such as Kapolei, the remaining funds for Waiahole did not add up. Ms. Aveiro explained that HCDCH expended more for all the properties combined than what was negotiated for in the agreement.

Director Jung asked if the number of Hawaiians that would meet the eligibility requirement of DHHL was readily available. Ms. Salas responded that she did not have the exact figure available but was sure that it was not a large figure.

Rep. Colleen Meyer then addressed the Board stating how proud she was of her fellow constituents in their strong commitment to keep the valley as it is. This is indicative of their passion for the land adding that the self-governing option is one that should be further explored. A committee as suggested by President Chinen that would open up communication between all parties involved is definitely an action that should be taken to address all issues of the valley.

Sen. Clayton Hee commented that the residents demonstrated their genuine commitment and dedication to the valley that has the will to not give up. Sen. Hee agreed with the previous speakers about the opportunity for HCDCH to work with the community association by attending its meetings rather than written communication. The decision that was made in December 2004 to transfer Waiahole Valley to DHHL has caused much grief and anxiety among the community which led them to the Legislature for support. It is hoped that HCDCH and DHHL has learned from this experience. The issue before the Board is not about being Hawaiian as he, like other residents in Waiahole Waikane Valley is Hawaiian and on the waiting list of DHHL. However he is offended by those who choose to use the Hawaiian population to fit their needs.

Sen. Hee stated that if the history of the struggle of the Waiahole Waikane Valley residents was known, the decision to transfer to DHHL would never had been made as it was not a racist struggle. It was an economical struggle of farming and agriculture by people who loved the land and who will continue to defend the land. Sen. Hee thanked the Board for listening to the community with the expectation that they had listened carefully to the people and will do its job by rescinding the transfer.

Director Thompson asked if the Board can take unilateral action and rescind only the portion relative to the Waiahole Valley as he did not want to rescind the entire transfer agreement.

Ms. Aveiro stated that was her understanding and in previous discussions with DHHL, all parties are amenable to the rescission.

Deputy Attorney General Sandra Ching clarified that according to staff's recommendation the Board would

1. Rescind only the portion of the Transfer Agreement to DHHL regarding the Waiahole Waikane Valley; and
2. Authorize the Executive Director to re-negotiate an amendment to the Agreement deleting the Waiahole Valley portion and execute an amendment which would establish new monetary or property terms with DHHL.

Director Jung added that it was his understanding that the Board is authorizing the Executive Director to act on behalf of the Board for the purpose of rescinding that portion of the agreement as it applies to Waiahole Waikane Valley as the Board cannot unilaterally rescind the entire transfer agreement.

Director Thompson asked if the recommendation would then need to be amended.

Ms. Ching stated that it is understandable as written when both parts A and B of the recommendation are taken under consideration together.

Director Smith asked if DHHL Board needs to take similar action once the changes are proposed to the transfer agreement. Ms. Aveiro stated that it is her understanding that the Board would probably have to adopt a resolution or other action that they are amenable to the change.

Director Smith also suggested that Executive Director Aveiro be encouraged to work with the community association and with any other interested parties to explore the joint committee effort to discuss how to proceed with more self-determination and empowerment for those who reside in the valley.

Director Thompson agreed with Director Smith that the residents should be able to determine their own destiny and that HCDCH should minimize its managerial role of the valley.

Director Jung concurred with both Directors Smith and Thompson particularly with the HUD regulations concerning resident management corporations. HUD encourages resident associations to be formed and resident management corporations would then allow the residents to manage and be responsible for their own affairs.

Ms. Aveiro stated that HCDCH will take advantage of the offer to work together with WWCA noting that the first big accomplishment was in setting the lease rent value and now the second goal of self-governance. She further expressed her appreciation to the community for educating her about the history of the valley as she had lived on Maui at that time and was unaware of the long struggle the residents have had to endure.

Director Thompson added that the residents are strongly encouraged to help assist with any legislative requests by HCDCH for CIP funds for the valley as that was one of the determining factors in discussions with DHHL who has the resources to make improvements in the valley.

There being no further discussion, the motion was unanimously carried.

(Vice Chairman declared a recess at 10:05 a.m.; meeting reconvened at 10:10 a.m.)

RECESS

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors

1. Approve the draft response (Exhibit "1"); and
2. Authorize the Chairperson to sign and transmit the letter to Senator Donna Mercado Kim.

Director Jung moved, seconded by Director Thompson

That staff's recommendation be approved.

Planner Mavis Masaki stated that staff would like to make one change to the draft response which is to delete copies of the letter be sent to other parties as was indicated in Sen. Kim's letter. Staff believes that it may be more appropriate for Sen. Kim to distribute copies of the response at her discretion.

Director Jung asked why would staff not prefer to have the other parties know what the response was to the letter.

Ms. Masaki stated that it was believed that the Senator would provide copies to those parties who may have expressed their concerns to her.

APPROVAL
OF
RESPONSE
FROM
HCDCH
BOARD
OF
DIRECTORS
TO SEN.
DONNA
MERCADO
KIM'S
LETTER
DATED
5/12/2005

Vice Chairman King asked if the Senate leadership was provided copies of Sen. Kim's letter, would they be led to believe that a response was not made should a copy not be provided to them. Executive Director Stephanie Aveiro stated that the Board can decide whether to provide the copies or not noting that it is public record since it has been presented to the Board for consideration and action.

Vice Chairman King added that another option would be to let Chairman Sted decide as he would be the signer of the letter.

Director Jung agreed that it should be at the Chairman's discretion however he expressed his concern that those who received the original letter written by Sen. Kim be unaware of the agency's response should Sen. Kim not provide them with copies of it.

Executive Director Stephanie Aveiro also requested that another amendment be made to the last line of page 4 of the draft response. She requested that it be changed to read: "...minutes may not reflect this discussion, because due to the **potential** litigation ~~pending at that time~~..."

Vice Chairman King then asked for the vote on the motion which was unanimously carried.

Vice Chairman King commented that Chairman Sted expressed his intention earlier of appointing an Asset Management subcommittee that the Chair said he would volunteer to be a member of. The appointment of the subcommittee will be done later by the Chair.

ASSET
MANAGE-
MENT
SUBCOM-
MITTEE

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve an extension of the condition to the DURF financing for the Senior Residence at Iwilei project as approved by the HCDCH Board on February 17, 2005, by six calendar months from August 31, 2005 to February 28, 2006, such that the DURF financing for the project is subject to approval of a revised financing plan by the HCDCH Board by February 28, 2006, subject to other terms and conditions deemed necessary by the Executive Director.

EXTENSION
OF
CONDITION
TO
DWELLING
UNIT
REVOLVING
FUND (DURF)
FINANCING
FOR THE
SENIOR
RESIDENCE
AT
IWILEI
PROJECT,
IWILEI,
OAHU,
HAWAII

Director Jung moved, seconded by Designee Manayan

That staff's recommendation be approved.

Housing Development Specialist Stan Fujimoto reported that the developer, Pacific Housing Assistance Corporation (PHAC) has fulfilled one of its two conditions to the financing which is to receive approval of the 201G HRS, zoning exemptions by the City & County of Honolulu. The second requirement, however, approval of a revised financing plan by the Board that has yet to be fulfilled due to varying reasons. One of which is that PHAC is seeking additional tax credits from the Rental Housing Trust Fund (RHTF) or possibly using DURF for permanent financing which the Governor recently approved.

Mr. Fujimoto introduced Karen Arakawa representing the developer. Director Thompson asked if the six (6) months extension is enough time for the developer to fulfill the second requirement, as he would like to see the project completed as soon as possible. Ms. Arakawa stated that it should be sufficient time as the work by the architects have been re-started which will give a more accurate estimated cost of the project.

Director Smith clarified that the delay was probably due to the uncertainty of using DURF financing for permanent financing until the law was changed. This resulted in a change in the amount of bond proceeds that would be used in the financial plan. The change in the financial plan coupled with the architect's drawing will then determine the amount of private financing that the developer would need to pursue.

Director Thompson asked if after the architect's drawings are completed and there is a more accurate cost estimate, would the developer have to come back to the Board again.

Mr. Fujimoto stated that the developer has an application for an increase in the bond proceeds with the Finance Branch. Should it be approved, the developer would request approval of the Board to revise its financial plan reflecting the increase in the bond proceeds.

Director Smith asked about the set aside of land from the Department of Land and Natural Resources (DLNR) to HCDCH. Mr. Fujimoto stated that it has already received approval by the Board of Land and Natural Resources. The land is now in the process to be surveyed and the necessary paperwork for approval by the Office of the Governor should follow soon after.

In response to Director Thompson's query on the financing component, Finance Branch Manager Darren Ueki stated that in addition to DURF, the financial plan includes an allocation of the 4% low-income housing tax credits and proceeds from the tax-exempt multi-family bond issuance. Although the developer has informed staff that they may request an increase in the bond proceeds, this should not affect the developer's schedule.

Director Jung suggested that a critical path schedule be provided in the staff's For Action write-ups for any program or project. This critical path schedule would outline the projected schedule, and show any deviations whenever they occur. The problems areas and issues could then be identified and be addressed quickly to get the project completed on time.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the sale of the 17 vacant lots at the Kauhale Aupuni O`Kulioouou project upon terms and conditions deemed acceptable by the Executive Director.

Director Thompson moved, seconded by Director Smith

That staff's recommendation be approved.

Project Manager Stan Fujimoto reported that due to ground movement, 18 lots were repurchased in the subdivision. Except for one home that is currently being offered for sale by HCDCH, the homes on 17 lots have been demolished. Staff published a Notice of Sale in May 2005 for the 17 vacant lots in an "AS IS" condition. Numerous inquiries were received which led to bona fide offers by potential buyers. Staff is now requesting approval by the Board to sell the lots subject to terms and conditions that are acceptable to the Executive Director.

Executive Director stated that staff understands the Board's intent to sell all 18 lots. The approval of the For Action would allow staff to proceed with negotiations on this basis.

APPROVAL
OF THE
SALE
OF
17
VACANT
LOTS
AT THE
KAUHALE
AUPUNI
O`KULIOUOU
SUBDIVI-
SION,
KULIOUOU,
OAHU,
HAWAII

After discussion, the motion to approve staff's recommendation was unanimously carried.

Staff's recommendation was presented as follows:

Staff respectfully recommends that the Board:

- A. Adopt Resolution No. 098, attached as Exhibit A, which provides for official intent to issue revenue bonds for the Kauhale Olu I, II and III project;
- B. Waive the requirement of obtaining DCAB's, "Document Review Letter" as a condition to the LIHTC award;
- C. Authorize the Executive Director to undertake all tasks necessary to undertake the intent and purposes of this For Action.

Director Thompson moved, seconded by Director Jung

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki explained that in April 2005, the Board approved a reservation of \$380,022 in annual Federal Low Income Housing Tax Credits (LIHTC). A public hearing was held in August 2005 in Hilo, Hawaii where the subject project is located. No comments were received.

The partnership will be the owner of the project who intends to modernize the existing units in the project. Mitigation of asbestos and lead based paint is planned with no major structural repairs or upgrades being planned.

HCDCH will act as a financial conduit through which the tax-exempt bonds would be issued on behalf of the partnership. The bonds are limited and special obligation for the project; HCDCH will monitor the project's compliance of all rules and requirements of the bonds. Current plans are to issue and fund the bonds on or about September 22, 2005.

Mr. Ueki continued that HCDCH, as a standard practice, requires a Document Review Letter (Letter) to fulfill the requirements of the American Disabilities Act (ADA). However, as there are no plans and specifications of the project available, the Disability and Communication Access Board (DCAB) cannot issue the Letter. Mr. Ueki added that DCAB would be concerned if there would be any structural changes or path of travel change to the project. The owner does not plan to do this type of change. The USDA Rural Development has a similar requirement as it pertains to compliance with ADA. The owner intends to have a consultant conduct an analysis of the project with respect to compliance of the USDA Rural Development and implement the recommended scope of work to the extent that it is feasible. Staff will monitor and ensure that the project is in compliance.

Mr. Ueki then introduced Michael Condry, representing the owner of the project.

Director Thompson asked if the Board is able to waive the ADA requirement to which Mr. Ueki answered that, as it is an internal policy with regard to the bond issuance. It actually provides an added layer of safety, which the Board is able to waive the requirement.

REQUEST
TO
ADOPT
RESOLU-
TION
NO. 098
AUTHORIZ-
ING,
AMONG
OTHER
THINGS,
THE
ISSUANCE
OF
HULA MAE
MULTI-
FAMILY
TAX-
EXEMPT
REVENUE
BONDS,
AND
AMEND
RESER-
VATION
OF
LOW
INCOME
HOUSING
TAX
CREDITS
FOR THE
KAUHALE
OLU I,
II AND III
PROJECT

Director Thompson asked how the owner intends to coordinate the modernization of the units if it is already occupied. Mr. Michael Condry stated that there are 8 vacancies in the project. Plans are to transition these units into one building in order that the contractor can work on one building at a time due to the significant work that will need to be done such as plumbing, electrical, etc. As with past projects, Mr. Condry stated that the important piece of transitioning one building at a time is to allow the residents to see the result of the modernization which brings about enthusiasm and cooperation with the transitioning of the vacant units. Eight units will require approximately one month to complete and one week to transition the residents in and out. As there are 15 buildings in the project, Mr. Condry estimates that it will take 18 months to complete the modernization work.

Designee Manayan asked about the status of the asbestos. Mr. Condry answered that there is an asbestos report, and also an operation and maintenance plan associated with the asbestos. Asbestos is generally found in popcorn ceiling or vinyl tile; however if the asbestos ceiling is encapsulated with paint, then it will not be able to filter through the air. As with the ceiling, the asbestos is encapsulated by installing tiles over the existing tile floor rather than removing the tiles.

Director Smith asked Mr. Condry what made the Hawaii project financially viable to him as a modernization project since his past projects were done in California. Mr. Condry stated that the project was initially a USDA 515 project. In working with the local USDA office in Hilo, this project was identified as a project that would be eligible for modernization and its owner was willing to sell it. Tax exempt bond financing, 4% tax credits, as well as USDA 515 financing that the new owner can assume up to \$7-8 million. The USDA, under the modernization and preservation program, is willing to subordinate that piece of debt to a new first trustee loan with the sale of tax credits and bonds. Mr. Condry continued that it then intends to sell it to a local bank. This program works as the \$7-8 million is 1% interest amortized over 50 years as well as the Rental Assistance Payments which lessens the risk of a negative cash flow.

Director Thompson asked when the project was first built to which Mr. Condry answered that it was built in three phases - 1974, 1975 and 1976. Mr. Condry stated that structural engineers found the buildings to be sound; wood floors; post and pier foundation which are solid and in place with slight adjustments that may need to be done. The interior of the buildings, however, will require significant work.

Director Thompson asked if HCDCH receives any fees for the project. Mr. Ueki answered that there is a \$50,000 fee that is paid for consummating the transactions as well as an annual of 25 basis points off of the original bond amount over the life of the bonds. This basically equates to approximately \$15,000 per year which would cover the expenses of monitoring of the project to ensure compliance.

Director Thompson further asked about Schedule A of the Loan Agreement which showed a default fee of 14.375% per annum.

Mr. Condry stated that the rate of interest is 6-3/8% tax exempt for a 20-year loan, amortized for 30 years. In the event that there is a default of the loan, the rate of interest is increased to 14.375% until the default is cured. This would allow another entity to assume the lower interest rate should the default occur.

Director Smith asked if there were other projects that may be eligible for modernization to which Mr. Condry answered that the USDA can provide a list that constantly changes as projects are added due to the expiration of their usage and deleted when projects are modernized and preserved.

After discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors:

- A. Approve the amendments to the terms of the Rental Housing Trust Fund Project Award to the Ouli Ekahi Limited Partnership as stated in Section II, C subject to the conditions in Section II, D.
- B. Authorize the Executive Director to approve all actions and undertake all tasks necessary to effectuate the purposes of this For Action.

Director Thompson moved, seconded by Designee Manayan

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki reported that in 1993, Low Income Housing Tax Credits were awarded to the Ouli Ekahi Limited partnership. Later in 1995, the Rental Housing Trust Fund (RHTF) Commission approved a RHTF Project Award in the amount of \$836,738 for 15 years at 3.5% interest. Due to a weak housing market, the borrower requested an amendment to change from a fixed debt service schedule to a debt service payment of 25% of excess cash flow. This request was not acted upon as the project's developer and General Partner was unable to obtain a tax clearance certificate.

Mr. Ueki further explained that in 2002 the borrower stopped making debt service payments due to needed capital improvements. Later in 2004 the borrower submitted a proposed restructuring of its loan payments for the RHTF loan.

Based on a recent analysis of unaudited financial statements, the project is able to pay interest only payments and a small sum toward the principal amount. A proposed payment schedule as well as funding of a Replacement Reserve would be some of the conditions the proposed amendments would be subject to.

Mr. Ueki then introduced Patrick Kataoka representing the borrower who stated that the intent is to cooperate with the County of Hawaii as much as possible as they are responsible for the daily operations of the project due to a prior agreement. A capital needs study is currently being done to assess the amount that needs to be earmarked for the capital improvements.

Director Smith asked how the cash problem developed. Mr. Kataoka stated that initially the demand was very low resulting in approximately 70% vacancy.

Mr. Ueki added that rents could not be raised due to the clientele and the rising operating costs. This led to the project needing much capital improvement later on.

Director Thompson commented that in 2002 the borrower stopped making debt service payments and it was not until almost 2-1/2 years before the borrower came forward with a restructuring proposal.

Mr. Ueki acknowledged that there were much delay in acting on the initial request due to the lack of obtaining a tax clearance certificate. However staff wanted the borrower to be successful with the project and it recognized that it needed to maintain a replacement reserve account for the capital needs portion.

Mr. Kataoka added that recently the County has made a concerted effort and has raised the rental rates as there is now a demand for housing in the project.

REQUEST
TO
AMEND
THE
RENTAL
HOUSING
TRUST
FUND
PROJECT
AWARD
TO THE
OULI
EKAHI
LIMITED
PARTNER-
SHIP

Dean Sakata, Finance Specialist added that the cash flow of the project has improved immensely as the County has increased the rental rates thus increasing its rental income.

Director Thompson asked how the County was involved with the project to which Mr. Kataoka explained that the project was developed on land owned by the County of Hawaii. In turn the project was sublet to the County who then operates the daily management. Under this arrangement, the County is responsible for paying the debt service on behalf of the borrower.

Mr. Ueki clarified that the agreements regarding the tax credits and the RHTF loan are with the borrower. The lease agreement was between the County and the partnership. When staff expressed their concern about the non-payments, the borrower directed staff to the partnership. However staff was directed to the County. Staff explained to the borrower that the loan agreement is with the borrower who is responsible for the payments. The proposed amendment thus creates a balloon payment for the borrower at the end of the loan period.

Mr. Kataoka stated that the project could meet the debt service but it would be unable to maintain the project. The County has therefore asked that it be allowed to raise enough reserve funds in order to operate the project in a standard way. The County is confident that it can refinance the loan and pay off the RHTF at the end of the loan term.

Mr. Ueki added that the proposed amendment is to improve the cash flow and reserve fund so that it does not experience the negative cash flow as it did in the past.

Executive Director Stephanie Aveiro acknowledged the complexity of the events that preceded due to the many parties involved, however staff is proposing an amendment to the RHTF loan which will prevent further cash shortfall to the interest/debt service payments due as well as regular capital improvements of the project.

Director Jung commented that he is inclined to vote in favor of the recommendation knowing the housing situation on the island of Hawaii. However, future discussion of how to prevent similar situations from occurring would be helpful.

Director Thompson expressed his concern about the project's financial situation. He asked when the audited financial statements would become available.

Mr. Ueki answered that there is no firm date yet as it was recently agreed upon by the parties that the current financial year's statement would suffice instead of requiring statements from the beginning of the loan period.

Mr. Kataoka stated that Hawaii Affordable Properties (HAP) manages the project for the County of Hawaii. HAP provides a detailed monthly statement to the County.

Director Thompson then asked how the capital improvements would be funded to which Mr. Ueki stated that there is approximately \$100,000 in reserve; \$350 per unit per annum from the rental income will be used to replenish the account. The partnership previously estimated the improvements would cost approximately \$21,000 per unit for capital improvements.

After discussion, the motion was unanimously carried.

Director Thompson asked that more information be provided to the Board about the project in the future. Director Smith also asked if there are other projects similar to this that the Board be informed and also suggested that the County official involved in the Ouli Ekahi project report to the Board as to their future plans in managing and upgrading the project for its residents due to the financial interest of the project on the part of HCDCH.

Mr. Ueki stated that this is the only loan of the RHTF that is in default at the time.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors:

- A. Authorize the Executive Director, or her designated representative, to conduct a public hearing on proposed changes to the Qualified Allocation Plan of the Low-Income Housing Tax Credit Program; and
- B. Authorize the Executive Director to take all action necessary to effectuate the purposes of this For Action.

Director Thompson moved, seconded by Director Smith

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki explained that the Qualified Allocation Plan (QAP) is used by HCDCH to administer the Low-Income Housing Tax Credits (LIHTC). Any changes to the QAP requires that public hearings be conducted. Staff is proposing revisions to the QAP based on comments received from the public, statutory changes and interpretations by the Internal Revenue Service (IRS), recommended practices by the National Council of State Housing Agencies (NCSHA) and staff's experiences in administering the program in the past. Proposed changes include increasing the Federal tax credits amount from 30% to 50%; application fee of \$1,500 from all applicants; collection of good faith deposit of ten percent of the first year's federal tax credit of which 6% shall be retained by HCDCH as an administrative fee upon execution of agreement; and a compliance monitoring fee of \$25 per unit for all units.

Mr. Ueki further stated that a new section is being proposed to the QAP regarding Site Control which will ensure that the applicant does have an interest or can obtain an interest of the site of the proposed project.

Mr. Ueki also requested that page 4 of the For Action, Criteria No. 10 be changed to No. 11; and Criteria No. 12 be changed to No. 13; and on page 5 that Criteria No. 13 be changed to Criteria No. 14.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii approve the revisions to Chapters 4, 6, and 11 of the Section 8 Administrative Plan.

Director Thompson moved, seconded by Director Smith

That staff's recommendation be approved.

APPROVAL
TO
CONDUCT
A
PUBLIC
HEARING
ON THE
LOW-
INCOME
HOUSING
TAX
CREDIT
PROGRAM'S
2006/2007
QUALIFIED
ALLOCA-
TION
PLAN

APPROVAL
OF THE
REVISIONS
TO
CHAPTERS 4,
6, AND 11
OF THE
SECTION 8
ADMINIS-
TRATIVE
PLAN

Public Housing Specialist Dexter Ching explained that the Section 8 Administrative Plan is used to establish policies for implementing the program consistent with the requirements of the U.S. Department of Housing and Urban Development (HUD) and the local goals and objectives in the Public Housing Agency (PHA) Plan. He reviewed the proposed revisions as follows:

Chapter 4, Section D - Amends the local preference selection process by allowing a preference to families who have been involuntarily displaced under certain circumstances;

Chapter 6, Section B - Amends the minimum rent which is the Total Tenant Payment (rent and/or utilities combined) of \$25.00 to \$0.00; and

Chapter 11, Section D - Amends the current Payment Standard setting at 100% of the Fair Market Rent (FMR) and allows HCDCH to set the Payment Standard between 90% - 110% of the FMR.

The motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Board of Directors of the Housing and Community Development Corporation of Hawaii adopt Resolution No. 099, approving the Section 8 Management Assessment Program Certification for FY ending June 30, 2005.

Director Smith moved, seconded by Designee Manayan

That staff's recommendation be approved.

Public Housing Specialist Dexter Ching explained that the Section 8 Management Assessment Program (SEMAP) is used annually to measure the performance of all housing agencies that administer the Section 8 tenant-based rental assistance program. SEMAP allows the U.S. Department of Housing and Urban Development (HUD) to ensure accountability and identify any deficiencies that may need to be corrected by the housing agencies.

In addition to the various indicators that are used to measure performance, a Deconcentration Bonus Indicator is awarded to those agencies who are able to have Section 8 assistance used in neighborhoods whose population is a higher income bracket as compared to neighborhoods whose population has numerous Section 8 tenants.

Mr. Ching noted that for Indicator No. 3, Determination of Adjusted Income, which the agency anticipates to receive 15 of the 20 possible points awarded. This demonstrates the improvement staff has made as the agency was usually not awarded any points for this indicator in the past.

In comparison to last year's score as a Standard Performer (60% - 89%), staff anticipates it will be Higher Performer (90%+)

Director Thompson commended staff for the vast improvement during the past year.

There being no further discussion, the motion was unanimously carried.

APPROVAL
OF
RESOLU-
TION
NO. 099
APPROVING
THE
SECTION 8
MANAGE-
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ASSESS-
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PROGRAM
(SEMAP)
CERTIFI-
CATION
FOR
FISCAL
YEAR
ENDING
JUNE 30, 2005

Staff's recommendation was presented as follows:

That the Board of Directors of the Housing and Community Development Corporation of Hawaii adopt Resolution No. 100, approving the Public Housing Assessment System Management Operations Certification for Fiscal Year rending June 30, 2005.

Designee Manayan moved, seconded by Director Jung

That staff's recommendation be approved.

Acting Administrative Services Officer Patti Miyamoto explained that the U.S. Department of Housing and Urban Development (HUD) annually assesses the management operations of the housing authorities based on a variety of indicators such as physical, financial, and resident satisfaction. Management operations indicator is based on vacant unit turnaround time, capital fund, work orders and the corresponding time to complete them, annual inspection, security for the projects and on economic self-sufficiency programs. Overall HCDCH made improvements in all areas and should not be considered a troubled agency but rather a standard performer as it is anticipated to receive 72 points out of a possible of 100 points.

Director Thompson asked what were the scores in the previous years to which Ms. Miyamoto answered that in 2003 and 2004 the scores were below 60 points.

Executive Director Stephanie Aveiro stated that staff is attempting to have the Memorandum of Agreement (MOA) with HUD terminated as the agency has demonstrated it has satisfactorily met the requirements.

There being no further discussion, the motion was unanimously carried.

APPROVAL
OF
RESOLU-
TION
NO. 100
APPROVING
THE
PUBLIC
HOUSING
ASSESS-
MENT
SYSTEM
(PHAS)
MANAGE-
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OPERA-
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FICATION
FOR THE
FISCAL
YEAR
ENDING
JUNE 30, 2005

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors approve amendments to Chapter 6 of the Admissions and Continued Occupancy Policy (ACOP) for Federal Public Housing.

Director Jung moved, seconded by Director Thompson

That staff's recommendation be approved.

Acting Administrative Services Officer Patti Miyamoto explained that the Admissions and Continued Occupancy Policy (ACOP) is used to determine the eligibility for admissions and continuing residence in the federal public housing projects. Chapter 6, Determination of Total Rent Payment, outlines the procedure to calculate the annual income/adjusted income to ensure that the residents do not pay more than is required of them. The total minimum rent is being changed to \$0 to be consistent with the current public housing agency (PHA) plan.

The motion was unanimously carried.

Director Smith moved, seconded by Director Thompson

That the Board of Directors meet in Executive Session at 12:05 p.m.

The motion was unanimously carried.

* * * * *

(Director Smith left the meeting at this time 12:40 p.m.)

Vice Chairman King reconvened the meeting at 1:00 p.m.

Executive Director Stephanie Aveiro updated the Board on the future of the Villages of Kapolei. Ms. Aveiro introduced the President of the Villages of Kapolei Association (VOKA) Board of Directors, Jamie Gentry who addressed the eventual exit of HCDCH from the Villages of Kapolei.

Mr. Gentry began by thanking the Board for their assistance in having the Honolulu Police Department enforce traffic regulations within the subdivision as of August 1, 2005. As President of the Board, Mr. Gentry stated that a high priority for their Board is to prepare a strategy that can be formulated regarding the exit of HCDCH and self-governance of the association.

Mr. Gentry indicated that the past Executive Director of Housing Finance and Development Corporation (HFDC) agreed to dedicate approximately 2.58 acres of land to the VOKA to assist with its maintenance operations. This is a pivotal piece of the exit strategy of HCDCH that would allow it to remove itself from Kapolei completely. Mr. Gentry suggested that a committee with staff and VOKA be formed to discuss this issue as the VOKA cannot go forward with its maintenance operations without this property included in the plan.

APPROVE
THE
REVISION
TO
CHAPTER 6
OF THE
ADMIS-
SIONS AND
CONTINUED
OCCUPANCY
POLICY
(ACOP) FOR
FEDERAL
PUBLIC
HOUSING

EXECUTIVE
SESSION

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT

Director Thompson asked if there was a date set that HCDCH had to be completed out of Kapolei to which Acting Housing Development Special Tom Otake answered that it is 2025.

Mr. Gentry stated that 2025 would be the absolute date that HCDCH would need to exit from VOK. Director Thompson suggested that VOKA meet with staff, set timelines that would include dedication of streets, the transfer of the 2.58 acres of land, etc. to accomplish the exit of HCDCH.

Ms. Aveiro continued with her report by requesting that the meeting date for September be changed to September 22, 2005 on Kauai. Some Directors indicated earlier that the scheduled Board meeting of September 15 was not a good day for them. August was supposed to have been on Kauai but due to the Waiahole Waikane Valley issue, it was changed to Oahu. As there was no objections, the regular Board meeting for September will be changed to September 22 on Kauai.

REQUEST
TO
CHANGE
MEETING
DATE/PLACE

Acting Administrative Services Officer Patti Miyamoto updated the Board on the status of the Memorandum of Agreement (MOA). Ms. Miyamoto reported that HUD has agreed to close out the Corrective Action Order (CAO). The MOA will be either extended or amended to reflect specific items that need to be addressed and improved upon such as unit turnaround, vacancies, work orders and tenants accounts receivables. Although current scores indicate that the agency will not be a troubled agency, the troubled agency status will remain until the scores are finalized and certified which will not be until March 2006 or later.

MEMO-
RANDUM
OF
AGREE-
MENT
(MOA)

Ms. Aveiro then introduced Ray Adair, Chief Financial Officer (CFO) of Nan McKay and Associates, Inc., who is providing technical assistance to HCDCH.

TECHNICAL
ASSISTANCE

Mr. Adair explained that there were three areas that he is focusing on:

- Serve as the Acting CFO providing guidance and direction to staff regarding accounting as it relates to HUD;
- Assist in formulating policy and procedures; some task level procedures; and
- Assist in the transition to project-based accounting.

Financial reports will be discussed to determine what financial reports should be prepared and given to the Board

Mr. Adair also reported that there are three problems that have been identified and must be resolved:

- The position who leads the Finance & Accounting Division must be filled as soon a possible;
- Proper systems software to eliminate the labor intensive work that is currently being done to do reports;
- Focus on staff development to improve the level of skills of the staff as HUD will focus on individual project's performance rather than the entity as a whole.

Director Thompson stated the draft of the policies and procedures that Mr. Adair has developed looks promising. He further supported the need for more staffing and staff development in the accounting area noting that Chief Accountant Sherry Noguchi has done an excellent job thus far. Mr. Adair agreed that Ms. Noguchi has been an excellent asset for the agency with the little or no resources that is available to accomplish the financing reporting.

Mr. Adair referred back to the draft policies and procedures manual that puts accountability on the part of the managerial staff. Director Thompson noted the importance of the accountability as currently the federal programs are losing approximately \$10.5 annually based on 100% rent collection.

Mr. Adair added that similar losses have occurred in the Section 8 program which must develop a plan to stop these losses or soon equity of the projects will no longer be available as an option.

Ms. Aveiro then pointed out that the asset management study will provide valuable information on the agency's current portfolio

She continued with her report about her meetings with the Office of Hawaiian Affairs who have expressed interest in actively participating in housing development. Assistance with infrastructure was discussed and will be continued in the future.

Ms. Aveiro further reported on her meeting with Directors Jung and Smith and the Department of Land and Natural Resources (DLNR) and the Department of Hawaiian Home Lands (DHHL) regarding non-ceded lands. Staff of each respective agency will work on ensuring that HCDCH retains the non-ceded lands and/or that DHHL release any non-ceded lands.

Director Jung commented that the meeting was very productive and that the 300 acres of non-ceded lands in Kona is extremely needed for housing in that area.

Ms. Aveiro concluded her report by stating that Rick Sogawa of the Resident Services Section was voted to represent the Department of Human Services in the Employee of the Year Award for the State of Hawaii.

Director Thompson asked the status of the two vacancies on the Board. Ms. Aveiro stated that the Office of the Governor recently asked the Resident Advisory Board (RAB) for five additional names to be considered. The Continuum of Care systems for each county are in the process of submitting names for consideration by the Governor.

Director Thompson referred to the vacancy report that can be expanded on to provide information as to the number of units that are in the inventory, how many have been scheduled for demolition, net occupancy and actual vacancies. Ms. Aveiro stated that the vacancy report is a living document as units scheduled for demolition cannot be more than 329 units at any given time due to HUD requirement. Kalihi Valley Homes has 99 units scheduled for demolition and 230 in Lanakila Homes in Hilo. Therefore if a person is in a unit scheduled to be demolished, it cannot be included in the number until that resident actually vacates the unit.

Ms. Aveiro explained that there are approximately 752 vacant units which is a constantly changing number. However, the 752 is composed of units which require extraordinary maintenance, and some are scheduled for demolition.

Director Thompson noted the importance of knowing the number of units that are vacant and how long have they been vacant and why. He cited an example of his recent visit to Kahekili Terrace that had 12 units ready for occupancy but did not have the necessary appliances. Units such as these could have provided the much needed housing and income for the agency.

Ms. Aveiro agreed that this is a problem which may be resolved when project based accounting is implemented.

Director Thompson then commented on the decrease of \$232,000 in the Tenants Accounts Receivables monthly report as being very significant. Ms. Aveiro acknowledged that the area managers are being encouraged to write the amounts off if they are unable to collect.

Finance Subcommittee Chair Travis Thompson reported on a recent meeting that was held with the auditors who have reviewed all the records until March 30, 2005 which they need to update until the end of the fiscal year which is June 30, 2005. A draft financial statement should be completed in October 2005. The preliminary report is that there are no significant findings. Discussion also focused on project based accounting which Ray Adair's Financial & Accounting Policy and Procedures Manual would be extremely valuable to staff.

FINANCE
SUBCOM-
MITTEE
REPORT

In reviewing the projects, only four had positive cash flow. The loss leaders include Puuwai Momi, Kalihi Valley Homes and Kuhio Park Terrace.

Director Jung reported that the Organization Subcommittee will be working with the rest of the Board and the Executive Director on the organization of the agency.

ORGANI-
ZATION
SUBCOM-
MITTEE

Executive Director Stephanie Aveiro reported that the Waimaha/Sunflower Resident Association which was first recognized in 2001, recently held its election for new officers.

ACKNOWL-
EDGMENT
OF NEW
OFFICERS
FOR THE
WAIMAHA/
SUNFLOWER
RESIDENT
ASSO-
CIATION

Executive Director Stephanie Aveiro stated that all information on the status of the Finance Branch was provided to the Board earlier.

FINANCE
BRANCH
STATUS
REPORT

Tom Otake Acting Housing Development Section Chief reported the following developments:

DEVELOP-
MENT
SECTION
STATUS
REPORT

Negotiations continue with Castle & Cooke Homes Hawaii for development in the Villages of Kapolei;

Uluwehi Apartments has been demolished and grassing of the area has begun; one proposal received and currently being reviewed;

Criteria for the Request for Proposals for the Crown property in Waipahu is being drafted to determine whether it should be all for sale or if it should include rental housing as well which would probably need tax credits from the Finance Branch;

Staff will meet with DLNR and DHHL regarding the non-ceded land in Kona. Executive Director Stephanie Aveiro added that it was not clear how the lands would be transferred to HCDCH but staff will provide a monthly report to keep the Board informed. Director Jung offered to provide any assistance to staff to make it possible for HCDCH to develop the land.

Staff is working on the sale of the 17 vacant lots in the Kuliouou Subdivision. Closing is expected to be in September 2005;

The set aside for the Senior Residence at Iwilei was approved by DLNR; staff is awaiting the final conveyance documents;

The Honolulu Police Department informed staff that it will enforce traffic regulations in the Villages of Kapolei. Traffic signals have been installed and waiting for County to be put into operation.

Construction Management Section Chief Edmund Morimoto reported on the current design projects under the Capital Improvements Fund. Included in the report are the total obligation of the contract amounts, total expended and notice to proceed. Also provided were the percentages of change orders for projects that may have been completed but the financial close outs have not been completed.

CONSTRUC-
TION
MANAGE-
MENT
SECTION
STATUS
REPORT

There being no further business to come before the Board, Director Thompson moved, seconded by Director Jung that the meeting be adjourned. Vice Chairman King adjourned the meeting at 2:10 p.m.

ADJOURN-
MENT

LILLIAN B. KOLLER
Secretary

Approved: